Information Technology: Challenges and Opportunities

The Honorable George C. Newstrom

Secretary of Technology

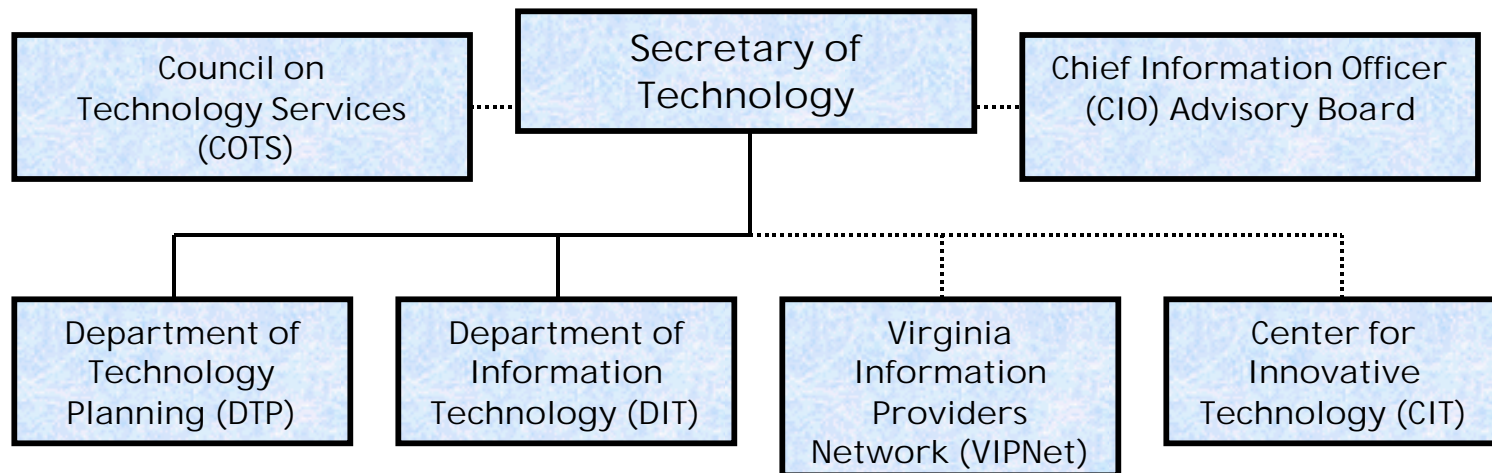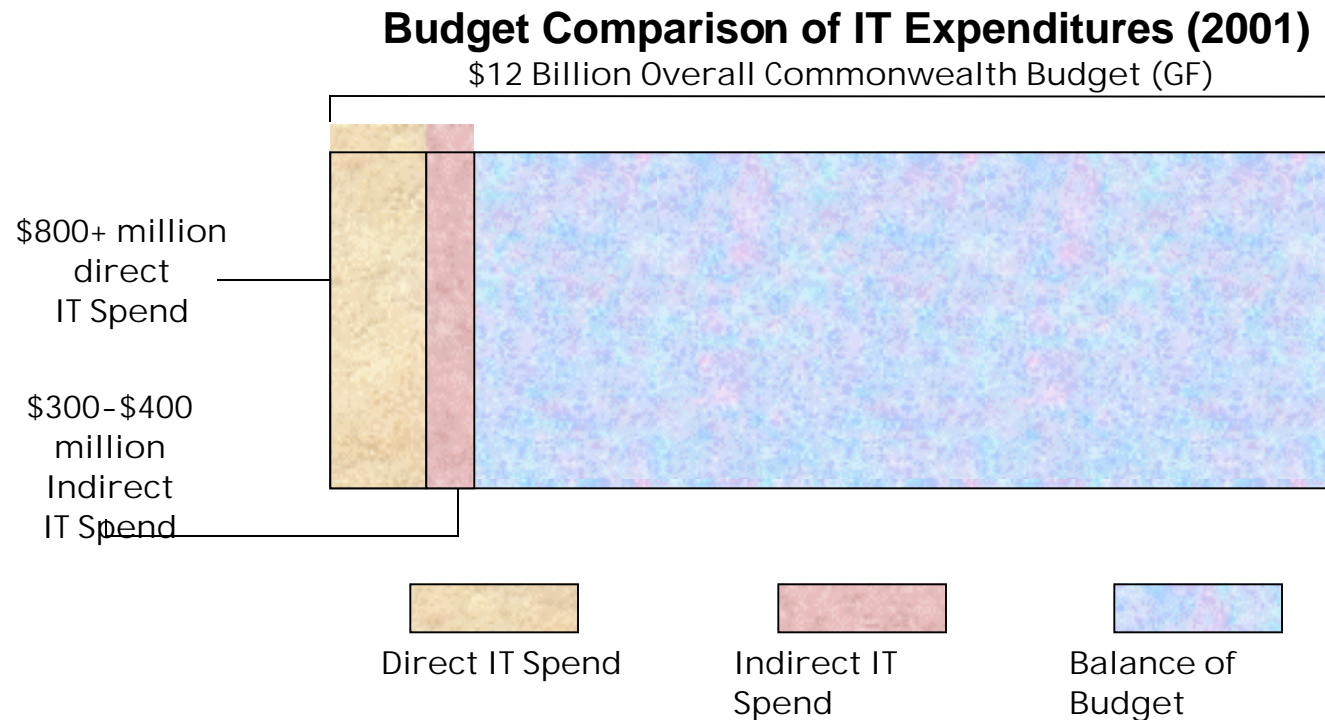Presentation to the Governor's Commission on Efficiency and Effectiveness
April 8, 2002

- The mission of the Secretary of Technology is to advise the Governor on the growth of technology in our global economy and the effective use of information technology in state government.

- The focus of this presentation is the state of the Commonwealth as it relates to information technology.

Council on Technology Services (COTS)	Secretary of Technology	Chief Information Officer (CIO) Advisory Board

Department of Technology Planning (DTP)	Department of Information Technology (DIT)	Virginia Information Providers Network (VIPNet)	Center for Innovative Technology (CIT)

Budget Comparison of IT Expenditures (2001)

$12 Billion Overall Commonwealth Budget (GF)

$800+ million direct IT Spend

$300–$400 million Indirect IT Spend
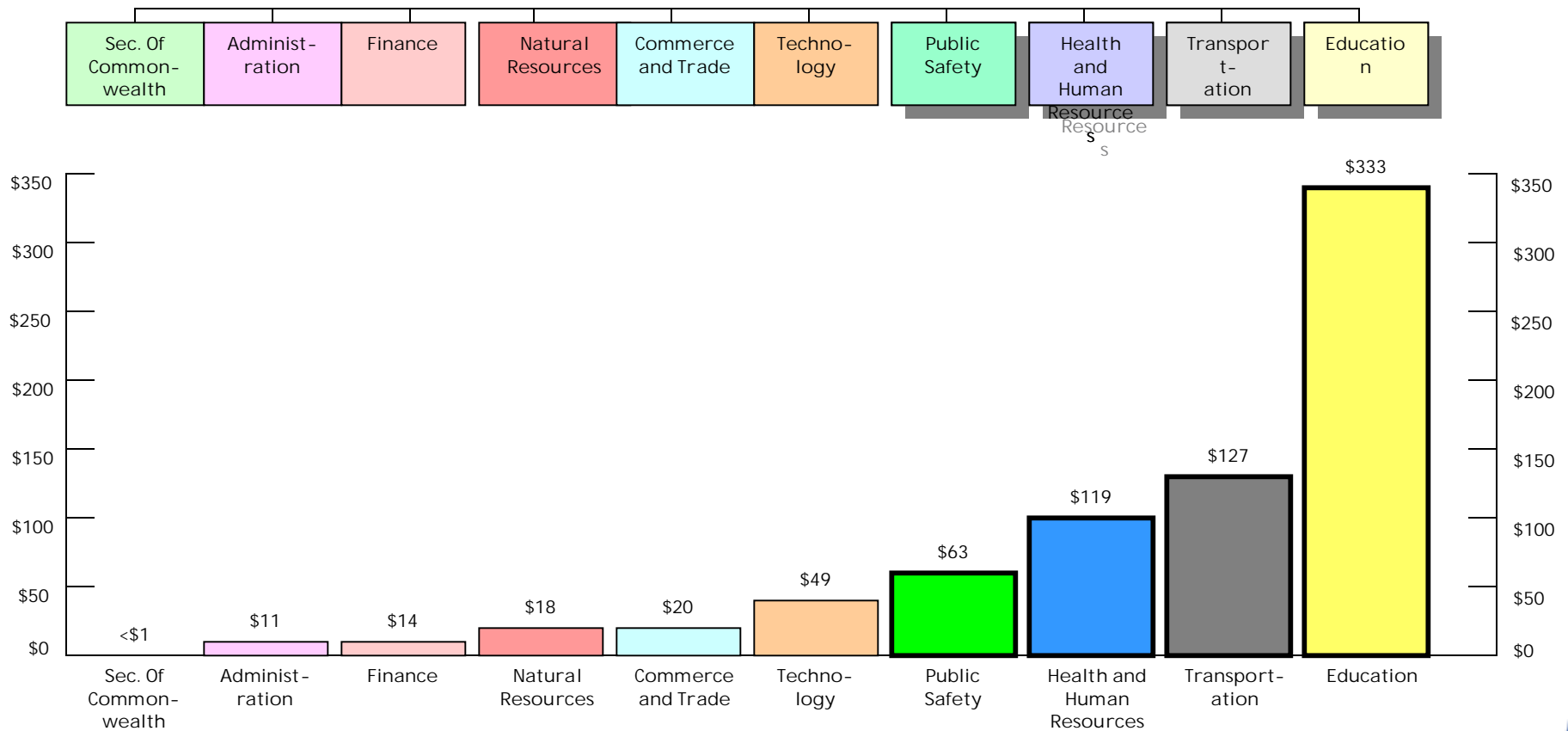
Direct IT Spend

Indirect IT Spend

Balance of Budget

- Direct expenditures on information technology total approximately $800+ million annually.

- Indirect expenditures on information technology are approximately $300 million to $400 million annually.

- Spending for information technology is highly decentralized

FY 2001 IT Expenditures by Secretariat (Millions of Dollars)

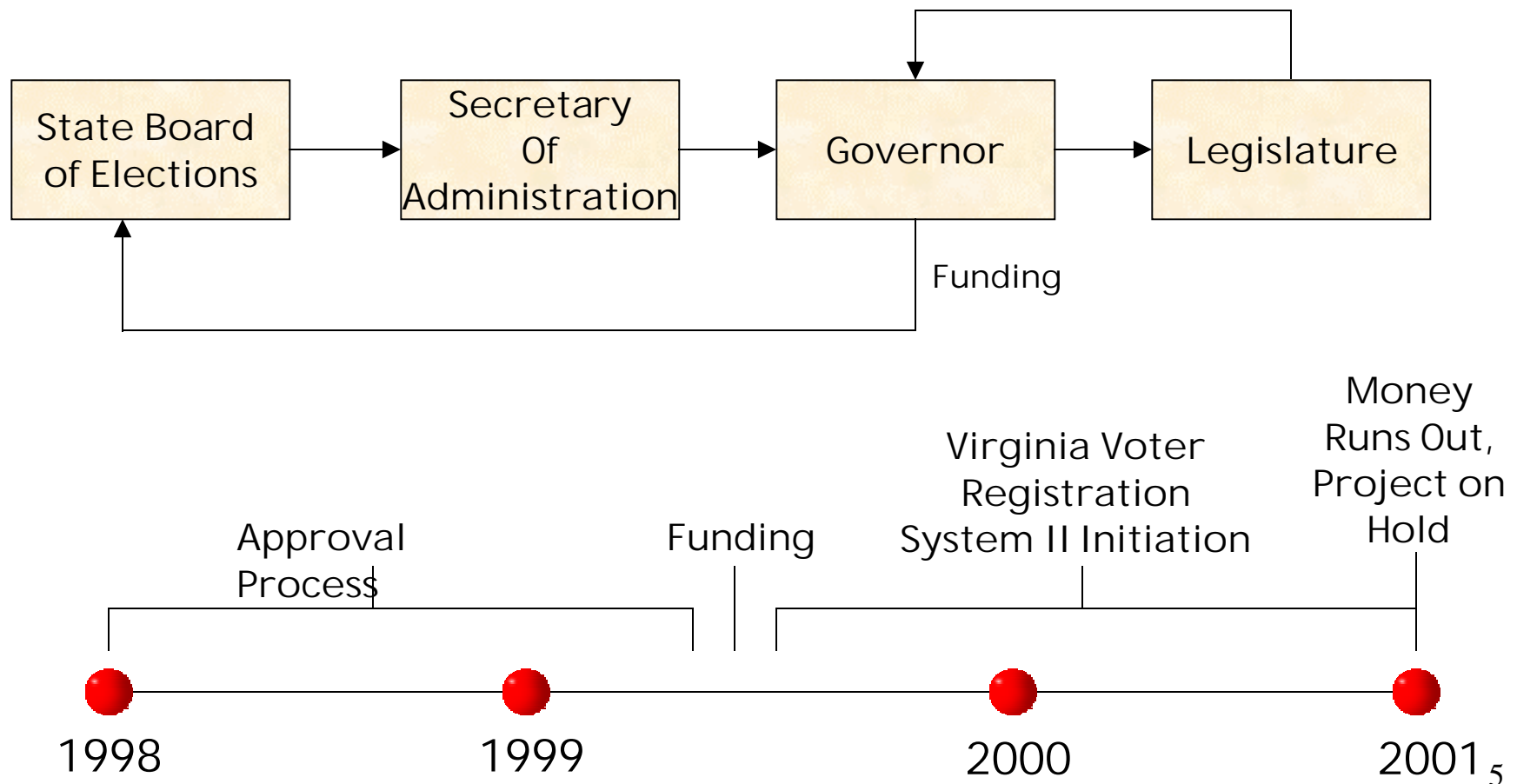| Sec. Of Common-wealth	Administ-ration	Finance	Natural Resources	Commerce and Trade	Techno-logy	Public Safety	Health and Human Resources	Transpor-t-ation	Educatio n

Secretariat	Expenditure
Sec. Of Common-wealth	<$1
Administ-ration	$11
Finance	$14
Natural Resources	$18
Commerce and Trade	$20
Techno-logy	$49
Public Safety	$63
Health and Human Resources	$119
Transport-ation	$127
Education	$333

- The biennial budget cycle does not ensure continuity of funding for large, long-term initiatives.

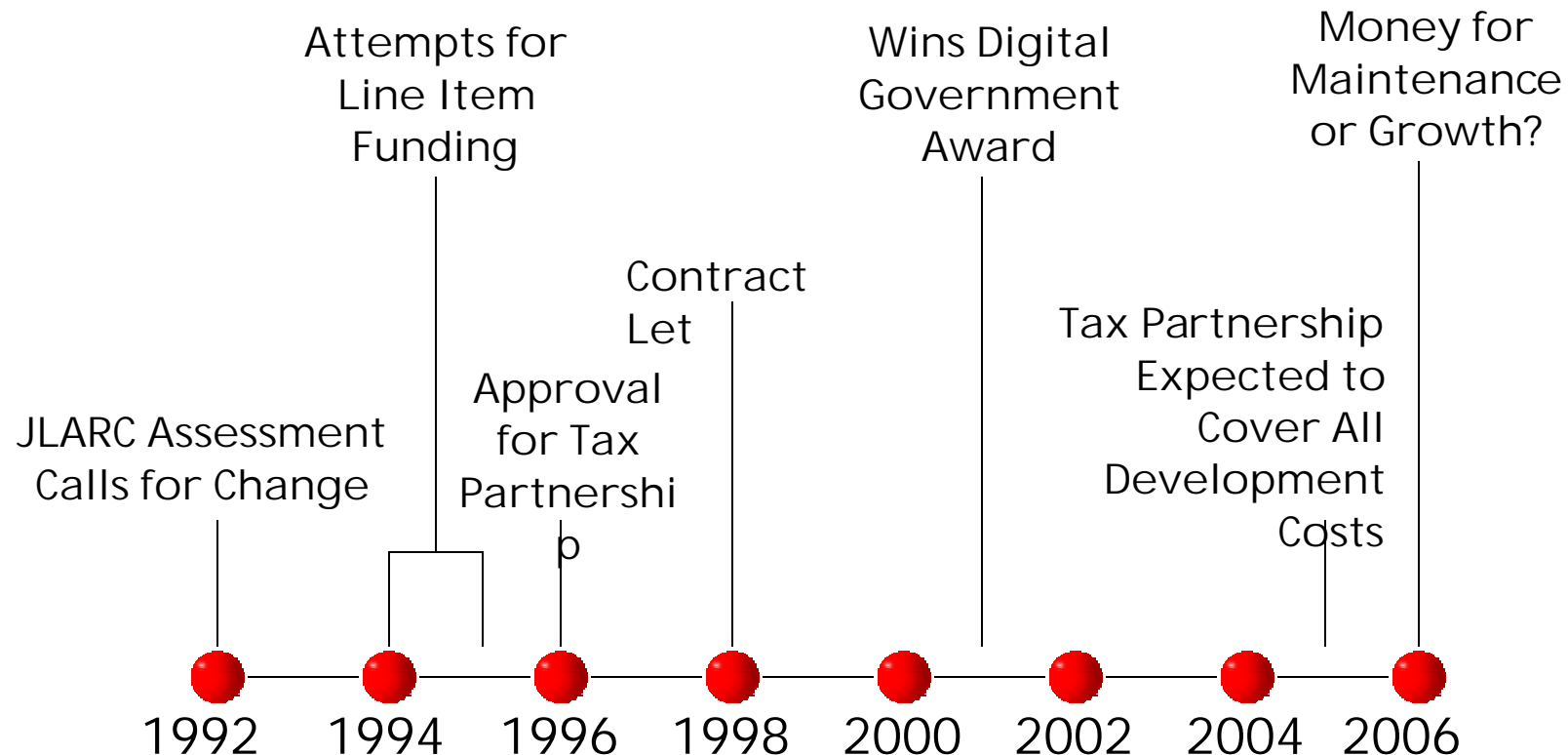Current Budget Process: Virginia Voter Registration System II

```
┌─────────────┐     ┌──────────────┐     ┌──────────┐     ┌─────────────┐
│ State Board │ ──▶ │  Secretary   │ ──▶ │ Governor │ ──▶ │ Legislature │
│ of Elections│     │     Of       │     │          │     │             │
│             │     │Administration│     │          │     │             │
└─────────────┘     └──────────────┘     └──────────┘     └─────────────┘
```

Funding

```
   Approval              Funding     Virginia Voter        Money
   Process                           Registration       Runs Out,
                                  System II Initiation   Project on
                                                            Hold

●────────────────────●──────────────────────●──────────────────────●
1998                1999                  2000                    2001
```

- The budget process falls behind the rapid pace of change.

Current Budget Process: Tax Partnership

Attempts for Line Item Funding

Wins Digital Government Award

Money for Maintenance or Growth?

Contract Let

Tax Partnership Expected to Cover All Development Costs

JLARC Assessment Calls for Change

Approval for Tax Partnership

1992   1994   1996   1998   2000   2002   2004   2006

- Assessments of best practices in information technology for Virginia present a mixed picture.

	Leader	Average	Laggard
IT Management			🔴
eGovernment		🔴	
Procurement			🔴
Information Security			🔴

- Numerous reports have identified the challenges state government faces in managing information technology

Selected Studies on Information Technology in State Government

Study Title	Date	Author
eGovernment Readiness Assessment of the Department of Information Technology	June 2001	PricewaterhouseCoopers
Overview: Review of Information Technology in Virginia State Government	December 1997	JLARC
Review of Information Technology in Virginia State Government	November 1997	Gartner Group
Strike Force Review of DIT	1994	Secretary of Commerce and Trade
Review of Information Technology in Virginia State Government	1987	JLARC
Telecommunications Needs Assessment for Commonwealth of Virginia Agencies	1987	Federal Engineering
Working Capital Funds in Virginia	1982	JLARC
Virginia Plan for Data Processing in State Government (Three volumes)	November 1973	Division of Automated Processing
Automated Data Processing in Virginia	February 1969	Division of Automated Processing
Automated Data Processing in the State of Virginia	October 1967	Computer Advisory Committee

- A number of common themes are prevalent in each of these studies:

    1. Central oversight over information technology is necessary to achieve economies of scale, ensure best practices, and improve the effectiveness and efficiency of state agencies.

    2. Funding of information technology needs to be restructured to reflect the scale and scope of enterprise-wide initiatives. Continual reinvestment must also be a priority to maintain the quality of initial investments.

    3. Management of major information technology projects is a skill that for the most part has not been developed within state government.

    4. The Commonwealth of Virginia is ill-prepared to meet future challenges that arise in information technology due to constraints on the workforce.

Although this presentation focuses on IT, IT should <u>not</u> be viewed as an end unto itself, but as a supporter and enabler of **efficient** and **effective** business operations.

Premise:

To enable change, we must be willing to overhaul and restructure information technology in state government.
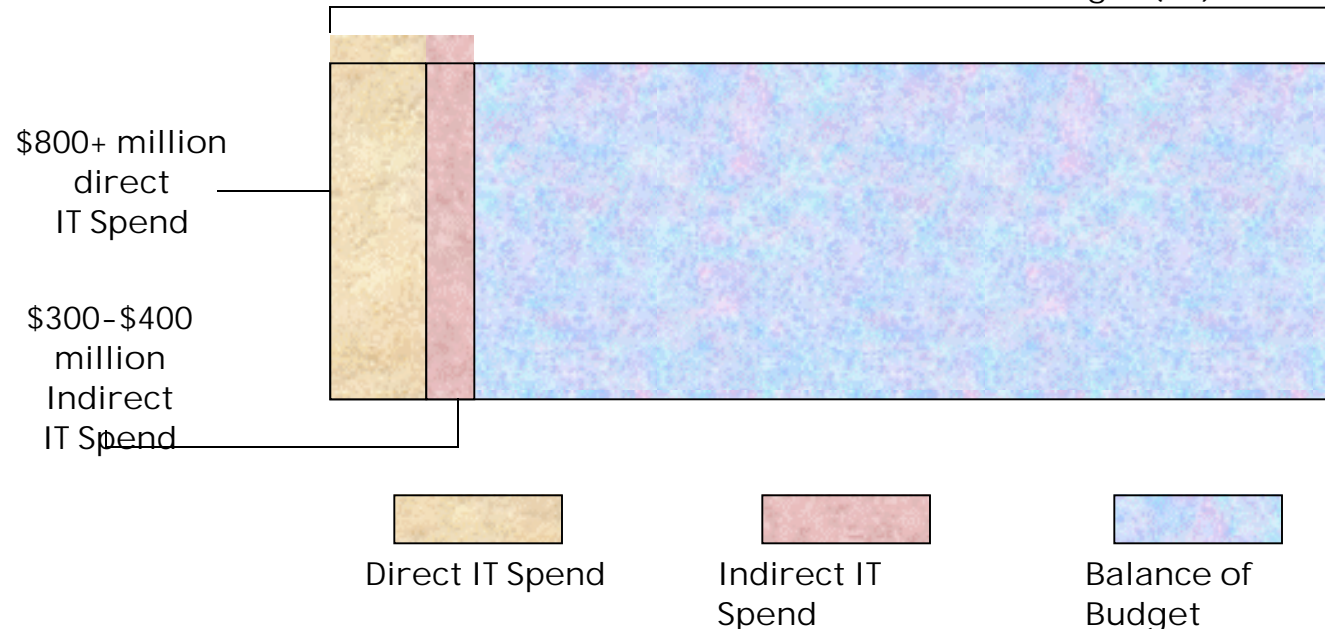
- The Secretary of Technology recommends changes in four key areas:

    1. Core technology should be streamlined as a centralized statewide resource.

    2. Procurement must change in three areas:
    - A.   Management of procurement
    - B.   Leveraging of the Commonwealth's purchasing power
    - C.   Exploring all options to focus on core business activities

    3. Accounting for technology budgeting and expenditures must be significantly improved.

    4. The structure of funding technology must encourage investment and return on investment (ROI).

Budget Comparison of IT Expenditures (2001)

$12 Billion Overall Commonwealth Budget (GF)

$800+ million direct IT Spend

$300-$400 million Indirect IT Spend

Direct IT Spend

Indirect IT Spend

Balance of Budget

- We must be willing to take broad steps forward: if the imperative does not exist for sweeping change, we can only achieve modest savings (1% to 3%).

- Effective investment in and implementation of information technology can achieve savings for the Commonwealth upwards of 15% to 20% in annual costs.

12

Summary

- Reforms in information technology can have an immediate, tangible impact upon the efficiency and effectiveness of state government, with measurable, bottom line results.

- By embracing these reforms, we can make Virginia a leader not only in technology, but in how state governments are managed and governed.

- To be competitive in the global economic marketplace, these changes <u>must</u> happen.

Information Technology: Challenges and Opportunities

The Honorable George C. Newstrom

Secretary of Technology

For a copy of this presentation please
go to www.technology.state.va.us